

2001

Pirates in Cyberspace: The Copyright Implications of *A & M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896 (N.D. Cal. 2000)

Aaron Johnson

University of Nebraska College of Law

Follow this and additional works at: <https://digitalcommons.unl.edu/nlr>

Recommended Citation

Aaron Johnson, *Pirates in Cyberspace: The Copyright Implications of A & M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896 (N.D. Cal. 2000), 80 Neb. L. Rev. (2001)

Available at: <https://digitalcommons.unl.edu/nlr/vol80/iss1/6>

This Article is brought to you for free and open access by the Law, College of at DigitalCommons@University of Nebraska - Lincoln. It has been accepted for inclusion in Nebraska Law Review by an authorized administrator of DigitalCommons@University of Nebraska - Lincoln.

Pirates in Cyberspace: The Copyright
Implications of *A & M Records, Inc.
v. Napster, Inc.*, 114 F. Supp. 2d 896
(N.D. Cal. 2000)

TABLE OF CONTENTS

I. Introduction	126
II. Factual Background.....	128
III. Legal Background.....	132
A. The Fair Use Doctrine.....	132
1. Purpose and Character of the Use.....	133
2. Nature of the Copyrighted Work	136
3. Amount and Substantiality of the Work Used ..	137
4. Effect Upon Potential Market or Value	138
B. Contributory Copyright Infringement	141
C. Staple Article of Commerce Doctrine.....	143
IV. Analysis	145
A. Napster Users Were Not Engaged in Fair Use	145
1. Use Was Not Wholly Private and Had No Transformative Value.....	145
2. The Copyrighted Work Was Creative in Nature	148
3. Napster Users Took the “Whole” and “Heart” of the Work	148
4. Napster Use Was Likely to Adversely Affect the Market for the Copyrighted Works	148
B. Napster’s Contributory Liability	150
1. Napster Had Reason to Know of the Infringing Conduct of Its Users	150
2. Napster Materially Contributed to the Infringement Committed by Its Users by	

© Copyright held by the NEBRASKA LAW REVIEW.

* Aaron Johnson, B.A., 1999, William Jewell College; J.D. expected, May 2002, University of Nebraska College of Law (NEBRASKA LAW REVIEW, Research Editor, 2001). I would like to thank my classmate, Rick Kubat, for tirelessly reviewing drafts of this Note and for providing constructive criticism when needed.

Consciously Providing a Forum for Infringement	154
3. Staple Article of Commerce Doctrine Inapplicable to Napster Because Service Was Used Primarily for Infringing Activities and Napster Exercised Control Over the Service	155
V. Conclusion	156

I. INTRODUCTION

The world goes ahead because each of us builds on the work of our predecessors. A dwarf standing on the shoulders of a giant can see farther than the giant himself.¹

Article I, section 8 of the United States Constitution provides that the Congress shall have the power "[t]o promote the Progress of Science and useful Arts, by securing the limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."² This provision forms the basis of federal copyright law, codified in Title 17 of the United States Code.³

The Copyright Act gives the owner of a valid copyright the exclusive right to reproduce, adapt, distribute, perform, and display the work.⁴ The Act defines a copyright infringer in part as "[a]nyone who violates any of the exclusive rights of the copyright owner."⁵ Congress recognized, however, that giving the author of a copyrighted work absolute control over the reproduction of the work would stifle creativity. Thus, it allowed for others to use copyrighted work for a "fair use" without subjecting the user to liability. Section 107 of the Copyright Act provides a non-exclusive list of fair use factors:

-
1. Zechariah Chafee, Jr., *Reflections on the Law of Copyright: I*, 45 COLUM. L. REV. 503, 511 (1945).
 2. U.S. CONST. art. I, § 8, cl. 8.
 3. 17 U.S.C. §§ 101-3300 (1998) [hereinafter "Copyright Act" or "the Act"].
 4. Section 106 of the Copyright Act provides:
 Subject to sections 107 through 120, the owner of a copyright under this title has the exclusive rights to do and to authorize any of the following:
 - 1) to reproduce the copyrighted work in copies or phonorecords;
 - 2) to prepare derivative works based upon the copyrighted work;
 - 3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
 - 4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and
 - 5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly.
 - 17 U.S.C. § 106 (1998).
 5. 17 U.S.C. § 501(a) (1998).

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.⁶

The fair use doctrine thus seeks to reconcile the interest of the artist in protecting his or her creative work with the public's interest in access to such creative work.

Technology has had an obvious impact on copyright law. Congress has frequently found itself in a reactionary position as advances in technology have necessitated change.⁷ With the development and expanded use of the Internet over the past decade, new and even more complex copyright issues have arisen. Congress addressed these issues in part with the passage of the Digital Millennium Copyright Act.⁸ However, Congress has not fully delineated the scope of copyright protection in cyberspace; thus, the fair use doctrine and other traditional copyright principles will play an important role in the resolution of these issues.

A & M Records, Inc. v. Napster, Inc.,⁹ serves as an important source of guidance in this uncharted area of the law. *Napster* "touches upon the gray area of copyright law that tries to strike a balance between protecting intellectual property in cyberspace while shielding Internet Service Providers . . . from liability for the unauthorized actions of their users."¹⁰ In *Napster*, the United States District Court for the Northern District of California held that users of Napster, a service provider which facilitated the transfer of MP3 music files, likely committed copyright infringement when they uploaded and downloaded copyrighted music files, and that Napster could be held liable for contributory infringement based on its users' actions. Accordingly, the court granted a preliminary injunction against Napster, requiring it to take steps to prevent infringement from occur-

6. 17 U.S.C. § 107 (1998).

7. For example, the printing press created the need for copyright protection. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 430 (1984) (noting that copyright protection became necessary after the invention of the printing press and had its beginnings in British censorship laws). The development of the audio tape recorder led to the passage of the Sound Recording Amendment of 1971. See Sound Recording Act of 1971, Pub. L. No. 92-140, 85 Stat. 391. Similarly, the Audio Home Recording Act became necessary after the expanded use of digital audio technology. See 17 U.S.C. § 1001 (1998).

8. Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860 (1998) (codified in various sections of Title 17 of the United States Code).

9. 114 F. Supp. 2d 896 (N.D. Cal. 2000).

10. Ariel Berschadsky, *RIAA v. Napster: A Window Onto the Future of Copyright Law in the Internet Age*, 18 J. MARSHALL J. COMPUTER & INFO. L. 755, 757 (2000).

ring.¹¹ The Ninth Circuit affirmed the portion of the district court's ruling relevant to this Note.¹² As of this writing, Napster has not appealed to the United States Supreme Court.

Thus, this Note focuses specifically on the question of whether it was proper to deny Napster users fair use protection and to hold Napster liable for its users' actions. Part II of the Note explains the Napster system and gives a factual background of the case. Part III gives a brief legal background of the doctrines involved in resolving the issues presented in the case. Part IV concludes that the district court was correct in holding that Napster users were not engaged in a fair use because the uploading and downloading of MP3 files is not the type of personal use meant to be protected under the doctrine, as the widespread distribution of MP3 files stifles the market for the copyright holders' work. Part IV also concludes that it was proper to hold Napster contributorily liable for the infringement of its users because Napster knew that its users were likely to commit infringement, yet it still offered its service.

II. FACTUAL BACKGROUND

Before explaining how Napster worked, it is necessary to explain the situation present before Napster. Music in compact disc form is a collection of computer data files with "wav" extensions. Each "wav" file represents a separate musical selection.¹³ Users can "rip" the "wav" from compact discs and store them on computer hard drives.¹⁴ Because "wav" files are so large, however, the transmission of music over the Internet initially was not feasible.¹⁵

This changed with the development of the MP3 file format. Developed by the Moving Pictures Experts Group, the MP3 compression algorithm greatly reduced the amount of space necessary to download

11. See *Napster*, 114 F. Supp. 2d at 927.

12. See *A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001). While the Ninth Circuit agreed with the substantive conclusions reached by the district court, it believed the preliminary injunction issued by the district court was too broad. Therefore, it remanded to the district court for modification of the preliminary injunction. See *id.* at 1029. On March 5, 2001 the United States District Court for the Northern District of California entered the modified preliminary injunction. See *A & M Records, Inc. v. Napster, Inc.*, No. C99-05183MHP, 2001 Lexis 2186 (N.D. Cal. March 5, 2001). Because this Note is concerned only with the substantive issues presented in *Napster*, the terms of the injunction will not be discussed in any detail.

13. See Charles L. Simmons, Jr., *Digital Distribution of Entertainment Content . . . The Battle Lines Are Drawn*, 33 *AVG. MD. B.J.* 31, 33 (2000).

14. See *id.*

15. See Berschadsky, *supra* note 10, at 758 ("Downloading a five-minute song could easily take several hours given the characteristics of telephone lines, which limited most Internet connections to a speed of 56,000 bauds per second.").

music files, therefore reducing the time necessary to download.¹⁶ Because MP3 files could be transferred quickly over the Internet, and copied and distributed without losing their near-compact disc sound quality, the MP3 file became the standard format for downloading music.¹⁷ While MP3 technology made downloading easy, users still could not quickly locate specific MP3 files on the Internet. That, in essence, was the genius of Napster.

Napster essentially allowed users to share these MP3 files. A user who wished to employ the Napster service had to first download its free "MusicShare" software.¹⁸ The user could then log on to Napster to access, through Napster's server, a directory and index of all the MP3 files on the hard drives of other users who were currently logged into the system.¹⁹ When a user chose a file, the Napster server communicated with the MusicShare program of the host user to make the file available for download.²⁰ The file was then transferred over the Internet. At the time of suit, Napster users could obtain these files free of charge.²¹ While Napster never advertised its product,²² millions of people were using the service at the time of suit.²³ The overwhelming majority of the music available on Napster was copyrighted.²⁴ Napster never obtained licenses to distribute the copyrighted music.²⁵

The implications of *Napster* go well beyond the sharing of MP3 music files. The Napster technology helped launch a new programming movement involving peer-to-peer sharing. Venture capitalists, as well as established companies such as Intel, have thrown their financial weight behind peer-to-peer start-ups.²⁶ Miko Matsumura, the CEO of Kalepa Networks (a start-up which plans to link peer-to-peer networks and create an Internet alternative) stated, "[t]he old days were all about centralization and control. . . . In this new topology, everyone

16. See Simmons, *supra* note 13, at 33 (noting that MP3 technology reduced disk space required to download "to about 3 million bytes which can be transferred over a 56 kb [(56,000 bauds per second)] modem in a matter of minutes").

17. See Berschadsky, *supra* note 10, at 759.

18. See *A & M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 905 (N.D. Cal. 2000).

19. See *id.* at 905.

20. See *id.* at 905-06.

21. See *id.* at 901.

22. See *id.* at 902.

23. See *id.* (estimating that over 75 million people would be using Napster by the end of 2000).

24. "Eighty-seven percent of the files sampled by plaintiffs' expert . . . 'belong to or are administered by plaintiffs or other copyright holders.'" *Id.* at 903 (citation omitted).

25. See *id.*

26. See Fred Vogelstein et al., *Who Says the PC is Dead?*, U.S. NEWS & WORLD REP., Sept. 4, 2000, at 40.

brings their own resources. The new network will be built on top of the old network. Like Rome was built in different layers."²⁷

The Recording Industry of America was not so pleased. On December 6, 1999, it filed suit against Napster in United States District Court for the Northern District of California alleging contributory federal copyright infringement and similar state law violations.²⁸

While the Copyright Act does not expressly allow for a cause of action based on contributory infringement, courts have long recognized that such a cause of action exists.²⁹ A contributory infringer is "one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another."³⁰

To succeed on a contributory infringement claim, the plaintiff must first show direct infringement by a third party. Napster, however, asserted that its users were engaged in a fair use. To support its proposition, Napster relied on established case law, which stated that "individual[s] may reproduce a copyrighted work for a 'fair use'; the copyright owner does not possess the exclusive right to such a use."³¹

The United States District Court for the Northern District of California declined to classify the uploading and downloading of musical recordings as a fair use. The court noted that the downloading of MP3 files was not a traditional private use,³² the copyrighted music was creative in nature,³³ the copyrighted work was copied in its entirety,³⁴

27. Karl Taro Greenfield et al., *Meet the Napster*, TIME, Oct. 2, 2000, at 60, 64.

28. See *A & M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896 (N.D. Cal. 2000). It should be noted that the plaintiffs also asserted a claim for vicarious infringement against Napster. However, given that the doctrines of contributory and vicarious liability are often confused in the copyright context, see, e.g., *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 437 (1984) (using the terms interchangeably), and that the substantive defenses presented by Napster are most relevant to contributory infringement, see discussion *infra* Parts III.A, III.C, this Note focuses specifically on contributory infringement.

29. In *Sony*, the Supreme Court stated, "vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another." 464 U.S. at 435.

30. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (9th Cir. 1996) (quoting *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971)).

31. *Sony*, 464 U.S. at 433.

32. "[G]iven the vast scale of Napster use among anonymous individuals, the court finds that downloading and uploading MP3 music files with the assistance of Napster are not private uses." *Napster*, 114 F. Supp. 2d at 913.

33. "The court finds that the copyrighted musical compositions and sound recordings are creative in nature; they constitute entertainment, which cuts against a finding of fair use under the second factor." *Id.*

34. "[I]t is undisputed that downloading or uploading MP3 music files involves copying the entirety of the copyrighted work." *Id.*

and the market for the copyrighted work was adversely affected by Napster use.³⁵

Napster further argued that the staple article of commerce doctrine applied to Napster use. Under this doctrine, the manufacturer of a staple article of commerce is absolved from liability for contributory infringement where the product is "capable of substantial noninfringing uses."³⁶ Napster asserted that sampling, space-shifting (downloading songs from compact discs which the user already owns so that they may be accessed through the computer), and the authorized distribution of works were fair uses for the service.³⁷ The court declined to apply the doctrine, noting that any noninfringing use of the service was commercially insignificant,³⁸ and that Napster exercised control over the service.³⁹

The court next held that it could impose contributory liability because Napster had both knowledge of the infringing activity and materially contributed to the infringement.⁴⁰ In holding that Napster satisfied the knowledge requirement, the court relied on evidence that Napster executives actually knew about the transfer of illegal MP3 files,⁴¹ and that, even in the absence of actual knowledge of specific acts of infringement, general knowledge that the Napster service would likely be used for infringing activity was sufficient.⁴² The court also held that Napster materially contributed to the infringing activ-

35. This point was vigorously disputed by the parties. Napster introduced into evidence a report which indicated that sales were stimulated by Napster use. *See id.* at 914. The Recording Industry of America submitted similar reports which showed that the use reduced compact disc sales among college students and raised barriers to the industry's entry into the market for digital downloading of music. *See id.* The court chose to rely on the plaintiffs' reports, finding the report relied on by Napster unreliable. *See id.*

36. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984).

37. *See Napster*, 114 F. Supp. 2d at 913.

38. The court declined to analyze all of these possible uses under the four fair use factors, and focused primarily on space-shifting, presumably because space-shifting was the only potential use which would not, by nature, displace the market for the copyrighted works. *See id.* at 916-17. The court concluded that space-shifting was not a commercially significant use because "the most credible explanation for the exponential growth of traffic to the website is the vast array of free MP3 files offered by other users—not the ability of each individual to space-shift music she already owns." *Id.* at 916.

39. "Napster, Inc. maintains and supervises an integrated system that users must access to upload or download files. Courts have distinguished the protection . . . [the staple article of commerce doctrine] offers to the manufacture and sale of a device from scenarios in which the defendant continues to exercise control over the device's use." *Id.* at 917.

40. *See id.* at 920.

41. *See id.* at 919.

42. *See id.*

ity because it provided the support services which made the infringing possible.⁴³

Because the Recording Industry of America demonstrated a reasonable likelihood of success on the merits, the district court granted a preliminary injunction against Napster. As mentioned earlier, the Ninth Circuit affirmed the court's holdings regarding fair use and contributory liability.⁴⁴ Before analyzing whether this result was correct, it is first necessary to discuss the development of the fair use doctrine and the applicability of contributory liability in the online context.

III. LEGAL BACKGROUND

A. The Fair Use Doctrine

The fair use doctrine developed from common law.⁴⁵ It "strikes a balance between the dual risks created by the copyright system; . . . that although depriving authors of their monopoly may reduce their incentive to create, granting authors a complete monopoly could reduce the creative ability of others."⁴⁶ In codifying the common law doctrine, Congress intended to restate the judicial application rather than enlarge the doctrine in any way.⁴⁷ The doctrine is intended to be an "equitable rule of reason," as evidenced by the non-exclusive nature

43. See *id.* at 920 ("Napster, Inc. supplies the proprietary software, search engine, servers, and means of establishing a connection between users' computers. Without the support services defendant provides, Napster users could not find and download the music they want with the ease of which defendant boasts.").

44. See *supra* note 12 and accompanying text. The Ninth Circuit used analysis similar to that of the district court in determining that Napster users were not engaged in a fair use. See *A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1015-20 (9th Cir. 2001). Specifically, it noted that the use was neither transformative nor private and that it was likely to adversely affect the market for the copyrighted work. See *id.* The court also generally agreed with the district court's analysis of Napster's contributory liability: "The record supports the district court's finding that Napster has actual knowledge that specific infringing material is available using its system, that it could block access to the system by suppliers of the infringing material, and that it failed to remove the material." *Id.* at 1022. However, it did seem to take a more restrictive view of the level of knowledge necessary to establish liability. See *id.* at 1021 ("[A]bsent any specific information which identifies infringing activity, a computer system operator cannot be liable for contributory infringement merely because the structure of the system allows for the exchange of copyrighted material.").

45. *Folsom v. Marsh*, 9 F. Cas. 342 (C.C.D. Mass. 1841) (No. 4,901), introduced the doctrine in American courts. See Sonia Das, *The Availability of the Fair Use Defense in Music Piracy and Internet Technology*, 52 FED. COMM. L.J. 727, 733 (2000).

46. Rebecca J. Hill, *Pirates of the 21st Century: The Threat and Promise of Digital Audio Technology on the Internet*, 16 SANTA CLARA COMPUTER & HIGH TECH. L.J. 311, 323 (2000).

47. See Das, *supra* note 45, at 734; accord H.R. REP. NO. 94-1476, at 66 (1976).

of section 107.⁴⁸ Nonetheless, fair use inquiries usually rely on the four fair use factors exclusively codified.⁴⁹ *Sony Corporation of America v. Universal Studios, Inc.*⁵⁰ represents the Supreme Court's first attempt to interpret the doctrine after its codification and much of the discussion below relies on the language of *Sony*.

1. Purpose and Character of the Use

The first factor, the purpose and character of the use,⁵¹ is the touchstone of any fair use inquiry.⁵² While this factor provides greater protection for non-profit rather than commercial uses, the "crux of the . . . distinction is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the customary price."⁵³ This recognizes that most secondary uses will involve some level of monetary gain, whether direct or indirect.⁵⁴ Congress did not intend for the first factor to be wholly determinative of the fair use question.⁵⁵ However, *Sony* changed the traditional fair use analysis by elevating the importance of the first factor.

In *Sony*, the owners of copyrights on television programs brought a copyright infringement action against the manufacturers of home videotape recorders. The copyright holders alleged that some members of the public had engaged in direct infringement by using the tape recorders to record work that had been aired on commercially sponsored television. In addressing whether this "time-shifting" constituted a fair use of the recorder, the Court stated, "[i]f [the recorders] were used to make copies for a commercial or profit-making purpose,

48. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 448 (1984).

49. See Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1125 (1990).

50. 464 U.S. 417 (1984).

51. See 17 U.S.C. § 107(1) (1998).

52. See Leval, *supra* note 49, at 1111.

53. *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 562 (1985).

54. See WILLIAM F. PATRY, *THE FAIR USE PRIVILEGE IN COPYRIGHT LAW* 422 (2d. ed. 1995).

55. The 1976 House Report explains:

The Committee has amended the first of the criteria to be considered—"the purpose and character of the use"—to state explicitly that this factor includes a consideration of "whether such use is of a commercial nature or is for non-profit educational purposes." *This amendment is not intended to be interpreted as any sort of not-for-profit limitation on educational uses of copyrighted works. It is an express recognition that, as under the present law, the commercial or non-profit character of an activity, while not conclusive with respect to fair use, can and should be weighed along with other factors in fair use decisions.*

H.R. REP. NO. 94-1476 (1976), *quoted in* PATRY, *supra* note 54, at 420 (emphasis added).

such use would be presumptively unfair.”⁵⁶ Because “time-shifting” was a noncommercial home use, however, the use was presumptively fair.⁵⁷ This presumption could be overcome only by proving the use could adversely affect the potential market for the copyrighted work.⁵⁸ Justice Blackmun dissented. He believed that the first factor was not intended to protect purely consumptive uses.⁵⁹

Justice Blackmun’s view has gained some acceptance since *Sony*.⁶⁰ In *American Geophysical Union v. Texaco Inc.*,⁶¹ the publishers of scientific and medical journals brought a copyright infringement action against Texaco, challenging Texaco’s unauthorized replication of copyrighted articles for use by its researchers. Texaco used the copies for laboratory research activities and future reference. In holding that the first factor weighed against fair use, the Second Circuit noted that the use was not “transformative”⁶² because the secondary use had no independent productive value.⁶³

In a case decided around the same time as *Texaco*, the Supreme Court backed away from the per se rule created in *Sony*. In *Campbell*

56. *Sony*, 464 U.S. at 449.

57. *See id.*

58. *See id.* at 451.

59. “Purely consumptive uses are certainly not what the fair use doctrine was designed to protect, and the awkwardness of applying the statutory language to time-shifting only makes clearer that the fair use doctrine was designed to protect only uses that are productive.” *Sony*, 464 U.S. at 496 (Blackmun, J. dissenting). The majority opinion disagreed with Blackmun’s argument:

The distinction between ‘productive’ and ‘unproductive’ uses may be helpful in calibrating the balance, but it cannot be wholly determinative. Although copying to promote a scholarly endeavor certainly has a stronger claim to fair use than copying to avoid interrupting a poker game, the question is not simply two-dimensional. . . . Copying for commercial gain has a much weaker claim to fair use than copying for personal enrichment. But the notion of social ‘productivity’ cannot be a complete answer to this analysis. A teacher who copies to prepare lecture notes is clearly productive. But so is a teacher who copies for the sake of broadening his personal understanding of his speciality.

Id. at 455 n.40.

60. *See* Laura G. Lape, *Transforming Fair Use: The Productive Use Factor in Fair Use Doctrine*, 58 ALB. L. REV. 677, 705-12 (1995).

61. 60 F.3d 913 (2d Cir. 1995).

62. The Second Circuit borrowed the term “transformative” from the lower court’s opinion. *See* *Am. Geophysical Union v. Texaco Inc.*, 802 F. Supp. 1 (S.D.N.Y. 1992). The lower court’s opinion was written by Judge Leval, who introduced the term “transformative” in his 1990 law review article. *See* Leval, *supra* note 49, at 1105.

63. *Am. Geophysical Union*, 60 F.3d at 923. The court noted, “the first factor favors the publishers . . . the dominant purpose of the use is a systematic institutional policy of multiplying the available number of copies of pertinent copyrighted articles by circulating the journals among employed scientists for them to make copies, thereby serving the same purpose for which additional subscriptions are normally sold.” *Id.* at 924-25 (emphasis added).

*v. Acuff-Rose Music, Inc.*⁶⁴ the copyright holder of the song "Pretty Woman," Acuff-Rose Music, sued the rap music group 2 Live Crew for copyright infringement based on 2 Live Crew's marketing and sale of a rap parody also entitled "Pretty Woman." 2 Live Crew countered that the parody was a fair use of the original song. The Supreme Court noted that the general question to ask under the first fair use factor is "whether the new work merely 'supersedes the objects' of the original creation, or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; it asks, in other words, whether and to what extent the new work is 'transformative.'"⁶⁵ Thus, while under *Sony* the use would have been presumptively unfair because it was commercial in nature, the use was fair in *Acuff-Rose Music* because it altered, and did not compete with, the original work. The Supreme Court went on to state, "the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use."⁶⁶ The Court reasoned that because the parody had transformative value, the court of appeals erred in concluding that the commercial nature of the use rendered it presumptively unfair.

Transformative use analysis seemingly implicates two different types of uses: 1) uses which produce a new work and 2) uses which benefit society.⁶⁷ Courts have defined transformative value both ways,⁶⁸ but most courts have favored the first definition.⁶⁹ While it is difficult to draw any clear conclusions regarding the first factor, courts clearly scrutinize the commercial nature of the use more closely, and will look at whether the use has independent productive value, where the use is for purely entertainment purposes.⁷⁰

64. 510 U.S. 569 (1994).

65. *Acuff-Rose Music*, 510 U.S. at 579.

66. *Id.*

67. See Lape, *supra* note 60, at 702-12.

68. Compare *Am. Geophysical Union*, 60 F.3d at 923 (2d Cir. 1995) ("The 'transformative use' concept . . . assesses the value generated by the second use To the extent that the secondary use involves . . . an untransformed duplication, the value generated by the secondary use is little or nothing more than the value that inheres in the original.") with *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 478 (stating that productive use means use "resulting in some added benefit to the public beyond that produced by the first author's work. The fair use doctrine, in other words, permits works to be used for 'socially laudable purposes.'") (Blackmun, J. dissenting)).

69. See Lape, *supra* note 60, at 707.

70. See PATRY, *supra* note 54, at 426.

2. *Nature of Copyrighted Work*

The second factor, the nature of the copyrighted work,⁷¹ looks at two aspects of the work: "whether it is published or unpublished and whether it is informational or creative."⁷² The published-unpublished dichotomy recognizes the strong interest in giving the author of the copyrighted work the right of first publication,⁷³ while the distinction between informational and creative works recognizes copyright law's strong interest in the stimulation of creative work for public consumption.⁷⁴

Prior to the codification of the fair use factors, the factual nature of the copyrighted work was used to justify writers' practice of using excerpts from copyrighted works in order to create secondary historical and biographical works.⁷⁵ Courts justified the use of these "facts" because of the public's interest in the development and distribution of the secondary works.⁷⁶ Thus, even the copying of primarily informational material traditionally was denied a fair use defense if the secondary use would not serve a socially laudable purpose.

Today, the second factor rarely figures prominently in fair use analysis.⁷⁷ Courts find it difficult to apply because even primarily informational materials contain some element of creative expression, and it is difficult to see why this expression requires any less protection than that given to wholly creative works.⁷⁸ Furthermore, the Supreme Court has clearly indicated that first factor justification takes precedence over the protection of creative expression.⁷⁹

The second factor becomes important primarily where a work is unpublished and the potential market for the work is harmed by the

71. 17 U.S.C. § 107(2) (1998).

72. *Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361, 1379 (N.D. Cal. 1995).

73. *See Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 564 (1985) (noting "[t]he right to first publication encompasses not only the choice whether to publish at all, but also the choices of when, where, and in what form first to publish a work").

74. *See Leval*, *supra* note 49, at 1117.

75. *See Rosemont Enters., Inc. v. Random House, Inc.*, 366 F.2d 303, 307 (2d Cir. 1966).

76. *See id.*

77. *See Leval*, *supra* note 49, at 1116 (noting that the second factor has been "only superficially discussed and little understood").

78. *See PARRY*, *supra* note 54, at 505-06.

79. *See Campbell v. Acuff-Rose Music*, 510 U.S. 569, 586 (1993) ("We agree . . . that the . . . original's creative expression . . . falls within the core of the copyright's protective purposes. This fact, however, is not . . . likely to help much in separating the fair use sheep from the infringing goats in a parody case, since parodies almost invariably copy publicly known, expressive works.") (citation omitted).

secondary use.⁸⁰ However, most of the concerns of the second factor can be addressed through an analysis of the third and fourth factors.⁸¹ Encompassing these concerns within the other factors is a better approach than trying to separate fact from creativity, given that the line is often blurred.⁸²

3. Amount and Substantiality of the Work Used

The third factor, the amount and substantiality of the work used,⁸³ looks at the percentage of the work copied and whether that portion is at the "heart" of the copyrighted material.⁸⁴ Thus, the third factor has both a qualitative (what part was taken) and a quantitative (how much was taken) aspect. The qualitative aspect is interrelated with the first fair use factor, as justification under the first factor may depend on whether the "heart" of the original is taken. The quantitative aspect is interrelated with the fourth fair use factor because the larger the amount of copyrighted work copied, the more likely the use will adversely affect the market for the original. Early decisions seemingly placed more emphasis on the quantitative aspect by holding that copying a work in its entirety could never constitute a fair use.⁸⁵

Sony changed the traditional notion that wholesale copying precluded a fair use defense. Time-shifting obviously involved recording the copyrighted work in its entirety because its whole purpose was to allow the viewer to watch the program in its entirety at a different

80. See PATRY, *supra* note 54, at 505 ("Outside of unpublished works, this factor typically receives little attention."). The second factor figured prominently in the Supreme Court's analysis in *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539 (1985). In that case, the primary work was unpublished and the copyright holder lost a prepublication excerpt contract when the work was appropriated by an unauthorized user. In holding that the second factor weighed against the infringer, the Court stated, "a fair use doctrine that permits extensive prepublication quotations from an unreleased manuscript without the copyright owner's consent poses substantial potential for damage to the marketability of first serialization rights in general." *Id.* at 569.

81. For example, a proper inquiry under the third factor should ask whether the essence of the copyrighted work was appropriated by the secondary user. See discussion *infra* Part III.A.3. If the work is primarily factual, then the work has no "essence" and does not deserve to be protected. Furthermore, where creative expression is taken and reproduced for use as a market substitute, the secondary use will be more likely to harm the market than in a situation where factual items are copied.

82. See PATRY, *supra* note 54, at 506 ("[A] broad rule permitting more generous fair use of all factual works than all fictional works should be avoided in favor of a case-by-case approach.").

83. 17 U.S.C. § 107(3) (1998).

84. See *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 564-65 (1985).

85. See *Walt Disney Prods. v. Air Pirates*, 581 F.2d 751 (9th Cir. 1978); see generally 18 AM. JUR. 2D Copyright and Literary Property § 86 (1985).

time. While this traditionally would have precluded a fair use defense, the Court in *Sony* found that it had no effect, reasoning that "timeshifting merely enables a viewer to see such a work which he had been invited to witness in its entirety free of charge."⁸⁶ Thus, after *Sony*, wholesale copying does not preclude a fair use defense if such copying is necessary given the purpose of the use.⁸⁷ *Sony* effectively places primary emphasis on the qualitative aspect of the third factor.

The Supreme Court again focused on the importance of a qualitative analysis of the amount taken in *Harper & Row, Publishers, Inc. v. Nation Enterprises*.⁸⁸ In that case, *Nation* magazine was given the unpublished memoirs of President Ford. Ford had contracted with Harper & Row and given them the exclusive right to license prepublication excerpts. Harper & Row had in turn negotiated a prepublication licensing agreement with *Time* magazine. *Nation* scooped *Time* and produced a 2000 word article, at least 300 words of which were verbatim quotes taken from the manuscript. In arguing that the article was a fair use of the manuscript, *Nation* noted that it had taken a quantitatively insignificant portion of the copyrighted work. The Supreme Court disagreed, holding that the amount taken was significant because the quoted passages represented the "distinctive expression" of Ford.⁸⁹

The emphasis on the quantitative aspect of the third factor is proper given that a bright line rule regarding permissible quantity would result in the unnecessary protection of some works which do not merit protection, and would leave other works which deserve protection outside the scope of fair use.⁹⁰ However, the greater the transformative justification for the use the less important the third factor becomes.

4. *Effect Upon Potential Market or Value*

The fourth factor, the effect upon potential market or value, has traditionally been given the most weight.⁹¹ This is because a secon-

86. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 449 (1984).

87. *See Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1526-27 (9th Cir. 1992) (holding where total copying was necessary to carry out purpose of reverse engineering software fair use defense was not precluded); *Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361, 1380 (N.D. Cal. 1995) (holding where Internet Service Provider had to copy copyrighted material in its entirety in order to function as a service provider, fair use defense was not precluded).

88. 471 U.S. 539 (1985).

89. *Id.* at 565.

90. *See Leval, supra* note 49, at 1122.

91. *See Nation Enters.*, 471 U.S. at 566. *But see Leval, supra* note 49, at 1124 (arguing "[t]he fact that the secondary use does not harm the market for the original gives no assurance that the secondary use is justified").

dary use which has a *de minimus* effect on the market for the primary work presumably will not effect the author's creative incentive. The importance of this factor illustrates that copyright is not a right inherent in authorship; otherwise, this factor would be irrelevant.⁹²

The copyright holder need not show actual harm. Rather, it must only be shown that some "meaningful likelihood of future harm exists."⁹³ In *Sony*, the Court held that when the secondary use is commercial, this harm is presumed.⁹⁴ However, others roundly criticized this presumption and the Court later softened its approach.⁹⁵ This step back was necessary as it is easy to imagine situations where a commercial use is not competing directly with, and therefore does not affect, the market for the primary work.⁹⁶

Proof of actual harm to the present market will necessarily tip the scales in favor of the copyright holder because it will generally reduce the author's creative incentive. However, such situations are rare.⁹⁷ Thus, fourth factor inquiries generally require a delineation of the scope of the future market. For example, in *Sony* the copyright holders were unable to convince the Supreme Court that any potential for future harm from time-shifting existed. The Court reached this result in part because the record indicated that the copyright holders actu-

92. See Leval, *supra* note 49, at 1124.

93. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 451 (1984) (stating that "[a] challenge to a . . . use of a copyrighted work requires proof either that the particular use is harmful, or that if it should become widespread, it would adversely affect the potential market for the copyrighted work").

94. See *id.*

95. In *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1993), the Court stated:

No "presumption" or inference of market harm that might find support in *Sony* is applicable to a case involving something beyond mere duplication for commercial purposes. *Sony's* discussion of a presumption contrasts a context of verbatim copying of the original in its entirety for commercial purposes, with the noncommercial context of *Sony* itself (home copying of television programming). In the former circumstances, what *Sony* said simply makes common sense: when a commercial use amounts to mere duplication of the entirety of an original, it clearly "supersede[s] the objects" (citation omitted) of the original and serves as a market replacement for it. . . . But when . . . the second use is transformative, market substitution is at least less certain, and market harm may not be so readily inferred.

Id. at 591.

96. See PATRY, *supra* note 54, at 565 ("While a commercial use, by virtue of its nexus to the marketplace, may be more likely to cause economic harm than a nonprofit use, this will not always be the case. Some commercial uses may cause no harm at all; some nonprofit uses may have a far more devastating impact than a commercial use.").

97. See *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 567 (1985) ("Rarely will a case of copyright infringement present such clear-cut evidence of actual damage.").

ally benefited from increased access to television programming.⁹⁸ In his dissenting opinion, Justice Blackmun argued that the majority had defined the market too narrowly:

The Court has struggled mightily to show that VTR use has not *reduced* the value of the Studios' copyrighted works *in their present markets*. . . . The development of the VTR has created *a new market* for the works produced by the Studios. That market consists of those persons who desire to view television programs at times other than when they are broadcast, and who therefore purchase VTR recorders to enable them to time-shift. . . . [T]he Studios are entitled to share in the benefits of that market. . . . Respondents therefore can show harm . . . simply by showing that the value of their copyrights would increase if they were compensated for the copies that are used in the new market.⁹⁹

Thus, while the majority in *Sony* looked at the future harm in terms of present markets, Justice Blackmun's dissent was more forward-looking. Neither approach is wholly satisfying. Restricting the inquiry to future harm to present markets punishes the author who may be unable to exploit the new market because of high barriers to entry.¹⁰⁰ However, when the future market is defined too broadly the fair use doctrine loses its teeth, given that an unexploited derivative market always theoretically exists.¹⁰¹

Most courts focus fourth factor analyses on whether the secondary use is becoming a market substitute for the original.¹⁰² Courts should not make the inquiry in isolation; instead, they should look at the potential cumulative effect on the market.¹⁰³

98. The Supreme Court relied on the district court's findings in this regard. The district court found that the Nielsen Ratings system was able to include time-shifters within its live audience measurements. See *Sony*, 464 U.S. at 453 n.36 (quoting *Universal City Studios, Inc. v. Sony Corp. of Am.*, 480 F. Supp. 429, 466 (C.D. Cal. 1979)). The district court also found that the rerun market would not be harmed:

Plaintiffs explain that the Betamax increases access to the original televised material and that the more people there are in this original audience, the fewer people the rerun will attract. Yet current marketing practices, including the success of syndication, show just the opposite. Today, the larger the audience for the original telecast, the higher the price plaintiffs can demand from broadcasters from rerun rights. There is no survey within the knowledge of this court to show that the rerun audience is comprised of persons who have not seen the program. In any event, if ratings can reflect Betamax recording, original audiences may increase and, given market practices, this should aid plaintiffs rather than harm them.

Id. at 453 (quoting *Universal City Studios, Inc.*, 480 F. Supp. at 468).

99. *Sony*, 464 U.S. at 497-98 (Blackmun, J. dissenting) (emphasis added).

100. See PARRY, *supra* note 54, at 558.

101. See *id.* at 557-58.

102. See Leval, *supra* note 49, at 1125.

103. The Supreme Court has noted, "[i]solated instances of minor infringements, when multiplied many times, become in the aggregate a major inroad on copyright that must be prevented." *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S.

While it is difficult to draw firm rules from judicial fair use analysis, the first and fourth factors seem to be of primary importance. The second and third factors generally come into play as extensions of these two factors.

B. Contributory Copyright Infringement

Contributory infringement consists of two elements: 1) knowledge and 2) contribution.¹⁰⁴ Actual knowledge is not required. The defendant need only have reason to know that direct infringement is occurring.¹⁰⁵ There is little case law dealing with contributory liability in cyberspace.¹⁰⁶ However, courts that have dealt with the issue have done so using the traditional model.¹⁰⁷

Fonovisa v. Cherry Auction, Inc.,¹⁰⁸ while not involving the Internet, has played a key role in the analysis of contributory liability in cyberspace. In *Fonovisa*, the copyright holders for musical recordings sued the operators of a swap meet for infringement based on sales of counterfeit recordings by independent vendors at swap meets.¹⁰⁹ The swap meet supplied parking, conducted advertising, retained the right to exclude vendors for any reason, and charged an admission fee for customers entering the meet.¹¹⁰ There was no dispute regarding the operator's knowledge of the infringing activity, as the local police department had seized counterfeit recordings from the swap meet in previous years and letters had been sent from the police department to the swap meet operators.¹¹¹ In holding that the operators had materially contributed to the infringement, the court noted that the infringing activity could not have occurred without the swap meet structure itself.¹¹² It stated, "[P]roviding the site and facilities for

539, 569 (1985) (quoting S. REP. NO. 94-473, at 65 (1975)) (emphasis added) (citation omitted).

104. See *supra* text accompanying note 30.

105. See *Sega Enters. Ltd. v. Maphia*, 948 F. Supp. 923, 933 (N.D. Cal. 1996).

106. See Alfred C. Yen, *Internet Service Provider Liability for Subscriber Copyright Infringement, Enterprise Liability, and the First Amendment*, 88 GEO. L.J. 1833, 1840 (2000).

107. See Michelle A. Ravn, Note, *Navigating Terra Incognita: Why the Digital Millennium Copyright Act Was Needed to Chart the Course of Online Service Provider Liability for Copyright Infringement*, 60 OHIO ST. L.J. 755, 772 (1999).

108. 76 F.3d 259 (9th Cir. 1996).

109. See *id.* at 260-61.

110. See *id.* at 261.

111. See *id.*

112. See *id.* at 264 (stating that "it would be difficult for the infringing activity to take place in the massive quantities alleged without the support services provided by the swap meet. These services include, *inter alia*, the provision of space, utilities, parking, advertising, plumbing, and customers.").

known infringing activity is sufficient to establish contributory liability."¹¹³

Courts have applied the reasoning of *Fonovisa* in the Internet Service Provider (ISP) context.¹¹⁴ However, some courts have taken a more restrictive approach and have attempted to lessen the potential liability of ISPs by imposing a higher knowledge requirement before subjecting them to contributory liability.

For example, in *Religious Technology Center v. Netcom On-Line Communication Services, Inc.*,¹¹⁵ copyright holders brought an infringement action against the operator of a computer bulletin board service and an ISP for copyright infringement committed by a subscriber to the bulletin board service. The copyright holder, once it became aware of the copyright infringement, had asked both the ISP and the bulletin board service to remove the infringing material. The ISP argued that it did not have the knowledge necessary to support contributory liability because it did not know the subscriber planned to infringe when it signed its lease with the bulletin board service and it did not know the subscriber would infringe prior to his postings. The ISP also argued that it was unable to screen postings before they were made, and it was difficult to determine whether copyright registrations were valid or whether the use was fair once it had notice of the alleged infringement.¹¹⁶

The court, in holding that a question of fact existed as to whether the ISP knew or should have known about the infringement after the receipt of the letter, declined to treat the ISP as a mere lessor of property.¹¹⁷ However, the court recognized the substantial burden that would be placed on service providers if knowledge were to be imputed in all cases:

Where a [bulletin board service] operator cannot reasonably verify a claim of infringement, either because of a possible fair use defense, the lack of copyright notices on the copies, or the copyright holder's failure to provide the necessary documentation to show that there is a likely infringement, the operator's lack of knowledge will be found reasonable and there will be no liability for contributory infringement for allowing the continued distribution of the works on its system.¹¹⁸

113. *Id.*

114. *See* *Sega Enters. Ltd. v. Maphia*, 948 F. Supp. 923, 933 (N.D. Cal. 1996) (holding bulletin board service liable where it provided, monitored, and operated the bulletin board service software, hardware, and phone lines necessary for the users to upload and download games).

115. 907 F. Supp. 1361 (N.D. Cal. 1995).

116. *See id.* at 1373.

117. *Id.* at 1373-74 (noting that a service provider "not only leases space but also serves as an access provider, which includes the storage and transmission of information necessary to facilitate [the subscriber's] postings").

118. *Id.* at 1374.

The court further noted that the contribution element had been established.¹¹⁹ In doing so, it relied on the fact that the ISP allowed all postings to be distributed on the Internet automatically while maintaining control over the system's use.¹²⁰

As the preceding discussion indicates, the body of case law dealing with the contributory liability of ISPs remains in its infancy. It is unclear whether courts will fashion rules on an ad hoc basis or will instead rely on traditional contributory liability principles in resolving these issues.

C. Staple Article of Commerce Doctrine

Sony also introduced the staple article of commerce doctrine as an affirmative defense to a claim of contributory copyright infringement. Rooted in patent law, the doctrine protects the manufacturer of a "staple article of commerce" if the product has substantial noninfringing uses.¹²¹ It primarily seeks to disable the monopoly holder from extending the monopoly to the point of frustrating commerce and harming the public.¹²²

In *Sony*, the Supreme Court held that private, non-commercial time-shifting was a commercially significant noninfringing use of the Betamax recorder.¹²³ In reaching this conclusion, the Court relied in part on the trial court's finding that a substantial number of copyright holders did not object to the practice of time-shifting.¹²⁴ Furthermore,

119. See *id.* at 1375.

120. The court stated:

Providing a service that allows for the automatic distribution of all Usenet postings, infringing and noninfringing, goes well beyond renting a premises to an infringer. . . . [I]t is fair, assuming Netcom is able to take simple measures to prevent further damage to plaintiffs' copyrighted works, to hold Netcom liable . . . where Netcom has knowledge of . . . infringing postings yet continues to aid in the accomplishment of [the subscriber's] purpose of publicly distributing the postings.

Id. at 1375 (citations omitted).

121. The Patent Code provides:

Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, *constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such a patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.*

35 U.S.C. § 271(c) (Supp. IV 1998) (emphasis added).

122. See *Henry v. A.B. Dick Co.*, 224 U.S. 1, 43 (1912) ("[A] sale of an article which though adapted to other and lawful uses, is not enough to make the seller a contributory infringer. [A rule to the contrary] would block the wheels of commerce.").

123. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984).

124. The Court noted:

the plaintiffs in the action owned the copyrights to only a small percentage of television programs.¹²⁵ Because the Supreme Court found that time-shifting was the primary use of the recorders in *Sony*, it did not provide any test for determining when a noninfringing use is "commercially significant."¹²⁶

Cases decided in the aftermath of *Sony* have taken a restrictive approach to the doctrine. In *A & M Records, Inc. v. Abdallah*¹²⁷ record companies brought a copyright infringement action against a seller of blank audiotapes and duplicating equipment used by counterfeiters of copyrighted audiotapes. The defendant argued that he could not be liable for the infringement committed by the counterfeiters because the equipment could be used for legitimate, noninfringing uses.¹²⁸ The court declined to apply the staple article of commerce doctrine because the products were specifically manufactured for counterfeiting activity,¹²⁹ were not capable of "substantial" noninfringing uses,¹³⁰ and were not released into the stream of commerce without any intervention on the part of the defendant.¹³¹

It is unclear how the doctrine relates to the provision of Internet service in cyberspace. It would seem, though, that a court could apply the doctrine to a case based on the mere provision of Internet service.¹³² In a situation where the provider has some level of awareness

If there are millions of owners of [Betamax's] who made copies of televised sports events, religious broadcasts, and educational programs such as Mister Rogers' Neighborhood, and if the proprietors of those programs welcome the practice, the business of supplying the equipment that makes such copying feasible should not be stifled simply because the equipment is used by some individuals to make unauthorized reproductions of respondents' works.

Id. at 446. Of course, the holding also rested on the fact that the Court found unauthorized time-shifting to be a fair use. *See id.* at 454-55.

125. *See id.* at 443.

126. *See id.* at 442 ("[I]n order to resolve this case we need not give precise content to the question of how much use is commercially significant.").

127. 948 F. Supp. 1449 (C.D. Cal. 1996).

128. *See id.* at 1456. The defendant testified that some customers used the cassettes to record their own original works. *See id.* at 1456 n.5.

129. "Arguably, the *Sony* doctrine only applies to 'staple articles or commodities of commerce,' such as VCR's, photocopiers, and blank, standard-length cassette tapes. Its protection would not extend to products specifically manufactured for counterfeiting activity, even if such products have substantial noninfringing uses." *Id.* at 1456.

130. "[A]lthough time-loaded cassettes can be used for legitimate purposes, these purposes are insubstantial given the number of Mr. Abdallah's customers that were using them for counterfeiting purposes." *Id.*

131. "Mr. Abdallah's actions went far beyond merely selling blank, time-loaded tapes. He acted as a contact . . . he sold duplicating machines . . . he timed legitimate cassettes for his customers . . . and he helped to finance some of his customers." *Id.* at 1457.

132. *See Yen, supra* note 106, at 1873-74 ("*Sony* seems fully applicable to the provision of Internet service.").

that infringement is occurring, however, the applicability of the staple article commerce doctrine is unclear.

IV. ANALYSIS

A. Napster Users Were Not Engaged in Fair Use

The district court's holding that Napster users were not engaged in fair use when they downloaded and uploaded songs in the Napster system was consistent with the spirit of copyright law.

1. *Use Was Not Wholly Private and Had No Transformative Value*

Under this prong, Napster basically argued that since Napster users did not use the copyrighted material for financial gain, but instead for private consumption, the use was justified.¹³³ While at first glance this might seem to follow logically from *Sony*, the argument was flawed because *Sony* relied on questionable principles and *Napster* represented an expansion of *Sony*.

The reasoning of *Sony* marked a seemingly large break from traditional applications of the fair use doctrine by placing primary emphasis on the commercial nature of the use. It is unclear where the deference to private use originated.¹³⁴ Justice Stevens' original draft of what became the majority opinion did not rely on fair use, but on the idea that private copying was not an infringement of exclusive rights at all.¹³⁵ Justice Stevens argued that three values dictated finding the practice lawful:

(1) privacy interests, (2) the principle of fair warning to millions of home copiers, and (3) the economic interest in not imposing substantial retroactive fines on an entrepreneur who has successfully developed a new and useful product, "particularly when the evidence . . . indicates that the copyright holders have not yet suffered any actual harm."¹³⁶

None of these three values were traditionally a concern of fair use. While the Court may have ultimately decided *Sony* correctly, the

133. See Appellant Napster, Inc.'s Opening Brief at 34-35, *A & M Records, Inc. v. Napster, Inc.*, 2001 WL 115033 (9th Cir. 2001) (Nos. 00-16401 and 00-16403) [hereinafter "Brief"].

134. See Jonathan Band & Andrew J. McLaughlin, *The Marshall Papers: A Peek Behind the Scenes at the Making of Sony v. Universal*, 17 COLUM.-VLA J.L. & ARTS 427, 450 (1993) (noting that there was no communication among the Justices regarding the presumption issue).

135. See *id.* at 433 (noting that the "central question for Justice Stevens was whether the making of a single copy of any copyrighted work for a private, noncommercial use is a copyright infringement").

136. *Id.* at 433 (quoting Letter from Associate Justice John Paul Stevens to Associate Justice Harry A. Blackmun at 4-5 (Jan. 24, 1983)).

Court used flawed analysis.¹³⁷ The Court let equity get in the way of its reasoning, something recognized by Justice Blackmun in his dissent.¹³⁸

Fair use inquiries ask whether the use is justified in light of the principles of copyright law.¹³⁹ That is, whether the stimulation of creative endeavors for the public good will be frustrated by allowing the use to continue. The four fair use factors all play a role in determining whether a use is justified.

The Supreme Court has recognized this and has backed away from the *per se* rule created in *Sony* when a copyrighted work is put to a transformative commercial use.¹⁴⁰ It should be willing to step away from the other leg of the presumption as well.¹⁴¹

The transformative nature of the use should be at the center of inquiries under the first factor, especially in situations where the use is not wholly private.¹⁴² Historically, courts looked at whether the infringing use had independent productive value.¹⁴³ Thus, the fair use statute contains the preamble, "the fair use of a copyrighted work . . . for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright."¹⁴⁴ These uses are transformative

137. See PATRY, *supra* note 54, at 244-51. Patry notes, "The contributory infringement claim should have been dismissed without reaching fair use. . . . Regrettably, though, fair use was reached and was subsumed as part of the contributory infringement analysis as a basis for concluding that the Betamax was capable of commercially significant noninfringing uses." *Id.* at 244. He goes on to argue that the Court should have affirmed the lower court's ruling (holding Sony contributorily liable): "[I]f the Court had affirmed, Congress could have acted quickly to provide an exemption for time-shifting, without causing harm to the fair use doctrine." *Id.* at 245.

138. "It may be tempting . . . to stretch the doctrine of fair use so as to permit unfettered use of this new technology in order to increase access to television programming. But such an extension risks eroding the very basis of copyright law, by depriving authors of control over their works and consequently of their incentive to create." *Sony*, 464 U.S. at 480-81 (Blackmun, J., dissenting).

139. See Leval, *supra* note 49, at 1116.

140. See *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 591 (1993).

141. See 4 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.05[F][5][b][i] (2000) (stating that a reappraisal of the issues in *Sony* is not foreclosed).

142. See Leval, *supra* note 49, at 1111 (noting that "the answer to the question of justification turns primarily on whether, and to what extent, the challenged use is transformative").

143. See, e.g., *Cary v. Longman*, 102 Eng. Rep. 138, 140 n.6 (K.B. 1785) ("[W]e must take care to guard against two extremes equally prejudicial; the one, that men of ability, who have employed their time for the service of the community, may not be deprived of their just merits, and the reward of their ingenuity and labour; the other, that the world may not be deprived of improvements, nor the progress of the arts be retarded.") (quoted in *Sony*, 464 U.S. at 479-80 n.33 (Blackmun, J., dissenting)).

144. 17 U.S.C. § 107 (1998).

in that they are socially beneficial. Since the codification of the fair use doctrine was not intended to enlarge pre-statute practice,¹⁴⁵ it is difficult to understand how someone engaged in an unproductive infringing use could have a tenable argument under the first factor. Because *Sony* represented such a marked departure from traditional fair use analysis, courts should limit it to its facts in order for the fair use doctrine to retain its vitality.

Napster clearly would have been an expansion of *Sony*. *Sony* was concerned only with the private recording of public television programs by individuals for later, one time viewing in the home. The parties did not raise the issue of the recording of cable television, or the sharing or trading of tapes.¹⁴⁶ The Napster system, on the other hand, depended on the sharing of MP3 files in order to survive.¹⁴⁷ With approximately 10,000 MP3 files being shared per second through Napster,¹⁴⁸ Napster was thriving. Thus, Napster users were not engaged in the same type of private use as *Sony* users.

Because Napster users did not engage in a wholly private use with a potential for only *de minimus* harm,¹⁴⁹ the transformative nature of the use had to be examined. Here, Napster clearly failed. Music in MP3 format does not differ in any meaningful way from music in CD format.¹⁵⁰ While Napster argued that the conversion to the MP3 file format was transformative because it made the music more "serviceable,"¹⁵¹ wholesale copying into a more accessible format does not transform the copyrighted work in a way contemplated by the fair use doctrine. If convenience was the concern, then the copying of journal articles by scientists for later use would clearly be transformative,¹⁵²

145. See *supra* text accompanying note 47.

146. See *Sony*, 464 U.S. at 459 n.2 (Blackmun, J., dissenting).

147. Interestingly, there is some indication that a majority of peer-to-peer file sharing service users only "take" from the service and do not share their own files. See Marilyn A. Gillen, *Study Reveals Gnutella To Be One-Way Street*, BILLBOARD, Sept. 2, 2000, at 68 (citing survey showing that 70% of Gnutella users share no files of their own). This trend, if it continues, would signal the end of peer-to-peer file sharing and would also make it easier for copyright holders to find and sue the limited number of parties who are making copyrighted materials available for download.

148. See *Napster*, 114 F. Supp. 2d at 897.

149. See discussion *infra* Part III.A.4.

150. See *UMG Recordings, Inc. v. MP3.com, Inc.*, 92 F. Supp. 2d 349, 351 (S.D.N.Y. 2000) (holding that transforming recordings to MP3 format "adds no 'new aesthetics, new insights and understandings' to the original"). Indeed, the CD-like sound quality of music in MP3 format is what made it popular in the first place. See *supra* note 17 and accompanying text.

151. See Brief, *supra* note 133, at 34-36 (omitting the second factor from discussion of fair use).

152. See *Am. Geophysical Union v. Texaco, Inc.*, 60 F.3d 913 (2d Cir. 1995).

as would the repackaging of excerpts from copyrighted books into anthology form.¹⁵³

2. *The Copyrighted Work Was Creative in Nature*

Napster never really argued that the second factor should weigh in its favor.¹⁵⁴ Its lack of emphasis on this factor was not surprising, given that after *Acuff-Rose Music* the factor is of limited independent significance if the secondary use is justified under the first factor.

In fact, the second factor clearly weighed against Napster. Napster users downloaded and uploaded creative audio recordings. The recordings did not result from mere collections of facts; rather, they were the fruit of "money, time, manpower, and creativity."¹⁵⁵ Users did not merely copy a theme or idea; instead, they appropriated the entire expression of a creative work—precisely the type of work protected by copyright law.¹⁵⁶ Absent a transformative use, the fact that the work was creative in nature should have weighed against Napster in the fair use calculus.

3. *Napster Users Took the "Whole" and "Heart" of the Work*

The third factor merits little discussion. Napster users took the quantitative "whole" of the copyrighted work because MP3 files contain musical selections in their entirety.¹⁵⁷ They also took the qualitative "heart" of the copyright holders' creative expression.¹⁵⁸ In that it was necessary given the purposes of the use, however, the factor was of limited importance.

4. *Napster Use Was Likely to Adversely Affect the Market for the Copyrighted Work*

The district court also correctly concluded that the fourth factor weighed in favor of the copyright holders. The Recording Industry of America argued that Napster harmed the market in two main ways: 1) a reduction in compact disc purchases by college students, and 2) an increased barrier to entry in the digital download market.¹⁵⁹ Napster countered with evidence that the Napster service increased sales and that the service would help the copyright holders enter the market because it stimulated investment in the hardware and software

153. See *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1522 (S.D.N.Y. 1991).

154. See Brief, *supra* note 133, at 34-35.

155. *Napster*, 114 F. Supp. 2d at 908.

156. See Leval, *supra* note 49, at 1119.

157. See *Napster*, 114 F. Supp. 2d at 913.

158. See discussion *supra* Part III.A.2.

159. See *Napster*, 114 F. Supp. 2d at 913.

needed to obtain and play MP3 files.¹⁶⁰ Without getting into a battle of the experts, it seems likely that Napster use would have adversely affected the market for the copyrighted work.

Again, there were substantial differences between the situation in *Sony* and that of *Napster*. In *Sony*, the television programs that users copied were already being distributed free to the public at large.¹⁶¹ Time-shifting increased access to these programs, actually benefiting the copyright holders in the long run.¹⁶² The Supreme Court presumed that the viewers would watch these recorded programs once and then erase or tape over them. Indeed, the Court was not concerned with "librarying," where recordings are saved for indefinite period of time.¹⁶³

Conversely, the copyright holders in *Napster* did not generally benefit when their music, which users would have otherwise had to pay for, was given away free in a permanent format and distributed to millions of people. Musical recordings are, by nature, "libraryed." Individuals generally do not listen to music only once before disposing of it. Because of the permanent nature of musical recordings, the secondary use in *Napster* was more likely to "supercede the use of the original" recordings and become a market substitute.¹⁶⁴

Another significant difference between *Napster* and *Sony* was the nature of the new market created by the secondary use. The plaintiffs in *Sony* provided no evidence that the copyright holders had planned on entering the video tape recording market.¹⁶⁵ By contrast, copyright holders in *Napster* planned on, and indeed had taken steps to, enter the digital audio format market.¹⁶⁶ Clearly, the digital audio format was a potential market which the copyright holders were capable of exploiting in the future.¹⁶⁷ The recording industry lost potential

160. *See id.*

161. *See Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 425 (1984).

162. *See Sony*, 464 U.S. at 453 n.38 (quoting *Universal City Studios, Inc. v. Sony Corp. of Am.*, 480 F. Supp. 429, 466 (1979)).

163. *See Sony*, 464 U.S. at 451 ("Plaintiffs' experts admitted at several points in the trial that the time-shifting without librarying would result in 'not a great deal of harm.'" (quoting *Universal City Studios, Inc.*, 480 F. Supp. at 467)).

164. *See Leval*, *supra* note 49, at 1125 (quoting *Folsom v. March*, 9 F. Cas. 342, 345 (C.C.D. Mass. 1841) (No. 4901)); *see also* PATRY, *supra* note 54, at 560 (noting that "[h]arm arising from the ability of the defendant's use to substitute for the plaintiff's work in the marketplace is the proper focus of the fourth factor").

165. *See Sony*, 464 U.S. at 497-98 (Blackmun, J., dissenting).

166. *See Napster*, 114 F. Supp. 2d at 910.

167. *See* PATRY, *supra* note 54, at 558 ("A preferable approach is to give effect to the plain meaning of the term 'potential' to include not only uses currently being exploited, but also uses that the copyright owner might have an interest in exploiting in the future.").

licensing revenues when Napster users were allowed to freely upload and download the copyrighted music.¹⁶⁸

The copyright holders in *Napster* should not have had their rights defined on the basis of present technology. This would have ultimately rendered their copyright protection worthless.¹⁶⁹ The copyright holders were entering the digital audio format market; they were just doing it on their own terms, which was completely within their rights.¹⁷⁰

Under traditional fair use analysis, the first, second, and fourth factors weighed strongly against Napster. The district court was correct in denying Napster users a fair use defense.

B. Contributory Copyright Infringement

It was proper to hold Napster liable for contributory infringement based on its users' conduct. Napster was created with the knowledge that it would be used for infringing purposes, yet Napster took no steps to prevent infringement from occurring.

1. *Napster Had Reason to Know of the Infringing Conduct of Its Users*

The district court found that Napster may have had actual knowledge of the infringement being committed by its users.¹⁷¹ Nonethe-

168. The court in *American Geophysical Union v. Texaco, Inc.*, 37 F.3d 881 (2d Cir. 1994), held that this loss of potential licensing revenues, in and of itself, was enough to tip the fourth factor in favor of the copyright holder:

[I]t is not unsound to conclude that the right to seek payment for a particular use tends to become legally cognizable under the fourth fair use factor when the means for paying for such a use is made easier. This notion is not inherently troubling: it is sensible that a particular unauthorized use should be considered "more fair" when there is no ready market or means to pay for the use, while such an unauthorized use should be considered "less fair" when there is a ready market or means to pay for the use.

Id. at 898.

169. *Sony*, 464 U.S. at 482 (Blackmun, J., dissenting) (noting there is danger in "confining the scope of an author's rights on the basis of the present technology so that, as the years go by, his copyright loses much of its value because of unforeseen technical advances").

170. *See* UMG Recordings, Inc. v. MP3.Com, Inc., 92 F. Supp. 2d 349, 351 (S.D.N.Y. 2000) ("[A] copyright holder's [sic] 'exclusive' rights . . . include the right, within broad limits, to curb the development of such a derivative market by refusing to license a copyrighted work or by doing so only on terms the copyright owner finds acceptable.").

171. The Recording Industry of America notified Napster of more than 12,000 infringing files in the Napster system. *See Napster*, 114 F. Supp. 2d at 918. Additionally, a document authored by Napster co-founder Sean Parker stated that Napster needed to remain ignorant of users' real names and Internet Provider addresses because "they are exchanging pirated music." *Id.* The same document

less, Napster argued that because it did not have any knowledge regarding specific acts of infringement, but rather only general knowledge that infringement was likely occurring, the court could not impose liability.¹⁷² Essentially, Napster argued that constructive knowledge, which generally suffices to establish contributory liability, should have been replaced with an actual knowledge requirement in its case. Undoubtedly, Napster did not know what each individual user was transferring through the Napster system. However, Congress dealt with the issue and decided that traditional principles of contributory liability should apply. Furthermore, Napster differed significantly from a traditional ISP, so that imputing knowledge was not unfair.

It would be unfair to hold an ISP liable for contributory infringement based on the mere provision of Internet service. While all service providers presumably are aware that some infringing activity occurs through their system,¹⁷³ imposing liability in all cases where infringing material passes through their system would impose a substantial supervisory burden on these providers, an unjust burden given the socially beneficial purpose they serve.¹⁷⁴ This is one of the main reasons why Congress passed the Digital Millennium Copyright Act (hereinafter "DMCA"). While the DMCA is complex and a full discussion of its provisions is outside of the scope of this Note, some of its provisions shed light on the protection it seeks to give ISPs.

Section 512 of the DMCA limits liability for ISPs engaged in four types of activities: 1) transitory digital network communications, 2) system caching, 3) user storage, and 4) information location.¹⁷⁵ While Napster argued that it was a transitory digital network, and therefore was shielded from liability for contributory and vicarious infringement even if it had knowledge of the infringing activity,¹⁷⁶ Napster

stated that the RIAA would benefit from Napster because "we are not just making pirated music available but also pushing demand." *Id.*

172. See Brief, *supra* note 133, at 48-50.

173. See Yen, *supra* note 106, at 1873-74.

174. See Scott K. Pomeroy, *Promoting the Progress of Science and the Useful Arts in the Digital Domain: Copyright, Computer Bulletin Boards, and Liability for Infringement by Others*, 45 EMORY L.J. 1035, 1075-77 (1996) (discussing the benefits the public receives from on-line services as justifying an actual knowledge requirement before subjecting service providers to contributory liability).

175. See 17 U.S.C. § 512(a)-(d) (Supp. 1999).

176. Section 512(a) limits liability "for infringement of copyright by reason of the provider's transmitting, routing, or providing connections for, material through a system or network controlled or operated by or for the service provider, or by reason of the intermediate and transient storage of that material in the course of such transmitting, routing, or providing connections," if five conditions are satisfied:

(1) the transmission of the material was initiated by or at the direction of a person other than the service provider;

was more likely an information location tool.¹⁷⁷ An ISP engaging in information location activities can limit its liability only if it:

- (i) does not have actual knowledge or awareness that the material or activity is infringing;
- (ii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;
- (iii) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the ISP has the right and ability to control such activity; and
- (iv) upon notification of claimed infringement, responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.¹⁷⁸

This language indicates that actual knowledge of specific acts of infringement is not required where the ISP in question provides information location tools. Congress apparently believed that the contributory infringement of information location tools should be analyzed under traditional principles. Any other interpretation would effectively render the statute moot because it would limit liability only where there is no liability in the first place.¹⁷⁹ Since courts have historically "defer[red] to Congress when major technological innovations alter the market for copyrighted materials,"¹⁸⁰ Napster's knowledge

(2) the transmission, routing, provision of connections, or storage is carried out through an automatic technical process without selection of the material by the service provider;

(3) the service provider does not select the recipients of the material except as an automatic response to the request of another person;

(4) no copy of the material made by the service provider in the course of such intermediate or transient storage is maintained on the system or network in a manner ordinarily accessible to anyone other than the anticipate recipients, and no such copy is maintained on the system or network in a manner ordinarily accessible to such anticipated recipients for a longer period than is reasonably necessary for the transmission, routing, or provision of connections; and

(5) the material is transmitted through the system or network without modification of its content.

17 U.S.C. § 512(a). Napster's motion for summary judgment based on this provision was denied. *See* Napster, Inc. v. A & M Records, No. 99-05183, 2000 WL 573136 (N.D. Cal. May 12, 2000). Napster most likely did not fit within the provision because it routed information links, not the information to which the links referred. *See* Berschadsky, *supra* note 10, at 777.

177. *See* Berschadsky, *supra* note 10, at 776-79.

178. 17 U.S.C. § 512(d) (Supp. 1999).

179. *But see* Berschadsky, *supra* note 10, at 779 (arguing that Napster fit within the provision because it did not have actual or constructive knowledge for purposes of the statute). This argument, however, seems to ignore the fact that the purpose of the provision is to limit liability once contributory and/or vicarious liability is established. *See* Charles S. Wright, *Actual Versus Legal Control: Reading Vicarious Liability for Copyright Infringement Into the Digital Millennium Copyright Act of 1998*, 75 WASH. L. REV. 1005, 1005 (2000) ("Title II of the Digital Millennium Copyright Act of 1998 purports to limit the liability of Internet service providers that have been found vicariously liable for copyright infringement.").

180. *See* Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 431 (1984).

should have been examined under general contributory infringement principles and actual knowledge of specific acts of infringement should not have been required before imposing liability.

Napster also had a different level of knowledge regarding infringing activity than the typical ISP. While the typical service provider has a financial incentive unrelated to any infringing activity which occurs through it,¹⁸¹ Napster was created for the sole purpose of locating and downloading music, most of which was copyrighted. Napster, although it was receiving no financial benefit from its service at the time of suit, planned to eventually derive revenues from its service.¹⁸² It was called the fastest growing Internet application ever.¹⁸³ The only logical explanation for its growth was the attractiveness of free music, both copyrighted and uncopyrighted. Napster knew this; it is common sense. Since it would place a huge burden on copyright holders to prove valid copyrights in each and every case,¹⁸⁴ a service provider should not be able to escape liability by cleansing its hands and not supervising activity directly—especially where it created the service for primarily infringing purposes. The policy reasons for protecting ISPs were simply not present in *Napster*.

The fact that Napster may not have been able to differentiate between infringing and noninfringing users should have been a concern only at the remedy stage, and not at the liability stage. Courts “should not misconstrue copyright holders’ rights in a manner that prevents enforcement of them when, through development of better techniques, an appropriate remedy becomes available.”¹⁸⁵ In any event, if a proper remedy could not have been fashioned, Napster, not the copyright holders, bore that burden. Thus, under the traditional objective knowledge test, it is clear that the court should have imputed knowledge to Napster.

181. See *Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361, 1379 (N.D. Cal. 1995) (“Although Netcom gains financially from its distribution of messages to the Internet, its financial incentive is unrelated to the infringing activity and the defendant receives no direct financial benefit from the acts of infringement.”).

182. See *Napster*, 114 F. Supp. 2d at 902.

183. See Greenfield et al., *supra* note 27, at 62.

184. See *Religious Tech. Ctr.*, 907 F. Supp. at 1374 (noting that “requir[ing] proof of valid registrations would be impractical and would perhaps take too long to verify, making it impossible for a copyright holder to protect his or her works in some cases”).

185. See *Sony*, 464 U.S. 417, 494 (Blackmun, J., dissenting).

2. *Napster Materially Contributed to the Infringement Committed by Its Users by Knowingly Providing a Forum for Infringement*

Using the reasoning of *Fonovisa*, it seems clear that Napster materially contributed to the infringing activity that occurred through its system. Like the swap meet operator in *Fonovisa*, it would have been difficult "for the infringing activity to take place in the massive quantities alleged without the support services provided by [Napster]."¹⁸⁶ Napster provided the software, search engine, servers, and index necessary to locate and download music quickly and effectively.¹⁸⁷ Without the Napster forum, Napster users could not have carried out the copyright infringement on such a wide scale. This goes to the heart of Napster's success, and is why Napster experienced such rapid growth. Contribution to the whole process, rather than contribution to the individual acts of infringement, is the proper standard.¹⁸⁸

In the online context, materiality logically should be satisfied once the knowledge element is established. Indeed, the court in *Religious Technology Center* held precisely that.¹⁸⁹ Napster seemed to argue that a service provider materially contributes to infringement only when it receives a financial benefit from, and supervises, the infringing conduct.¹⁹⁰ However, this goes to vicarious liability rather than contributory infringement.¹⁹¹ The doctrine of contributory infringement is not concerned with whether the party benefited from the activity; rather, it is concerned with the propriety of holding one party responsible for the acts of another. Courts dealing with the issue have found that ISPs should bear the risk of loss when they continue to provide service to a known infringer. This is especially true in *Napster*, where the service was created with the knowledge that it would be used to facilitate infringement.

186. *Fonovisa Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (9th Cir. 1996).

187. *See Napster*, 114 F. Supp. 2d at 920.

188. *See Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 397 (1968) (explaining that "mere quantitative contribution cannot be the proper test to determine copyright liability. . . . Rather, resolution of the issue . . . depends upon a determination of the function that [the alleged infringer] plays in the total [reproduction] process").

189. *See Religious Tech. Ctr. v. Netcom On-Line Comm. Servs., Inc.*, 907 F. Supp. 1361, 1375 (N.D. Cal. 1995) ("[I]t is fair, assuming Netcom is able to take simple measures to prevent further damage to plaintiffs' copyrighted works, to hold Netcom liable for contributory infringement where Netcom has knowledge of Erlich's infringing postings yet continues to aid in the accomplishment of Erlich's purpose of publicly distributing the postings.").

190. *See Brief, supra* note 133, at 53.

191. *See Demetriades v. Kaufmann*, 690 F. Supp. 289, 293 (S.D.N.Y. 1988) (noting that "benefit and control are the signposts of vicarious liability").

Napster had constructive knowledge of the infringing activities of its users and allowed this use to continue. The district court correctly held that the elements of contributory liability were established.

3. *Staple Article of Commerce Doctrine Did Not Apply to Napster Because Service was Used Primarily for Infringing Activities and Napster Exercised Control Over the Service*

Napster arguably had actual knowledge of the infringement, which would preclude the application of the staple article of commerce doctrine.¹⁹² Even absent actual knowledge, however, the doctrine was still inapplicable because any noninfringing use of Napster was commercially insignificant and because Napster was not released into the stream of commerce as a neutral product.

Of course, a resolution of the fair use issue in favor of Napster would have ended the inquiry as to whether the service was capable of substantial noninfringing uses. However, given that the primary use of Napster was infringing, other possible noninfringing uses had to be examined.

Napster, and the amici filing briefs on its behalf,¹⁹³ chose to look at the Napster service and its noninfringing uses in broad terms.¹⁹⁴ When looking at the system as a whole, one could easily find substantial noninfringing uses. However, this broad-based view of the service failed because it did not look specifically at those aspects of the product that facilitated the infringement.¹⁹⁵ A proper inquiry should have

192. See Berchadsky, *supra* note 10, at 772 (noting that doctrine applies only where constructive knowledge is at issue).

193. Amicus curiae briefs were submitted by the Digital Media Association, the American Civil Liberties Union, the Consumer Electronics Association, and the Digital Future Coalition (joint brief with the Computer & Communication Industry Association). See 7 No. 4 Andrews Intell. Prop. Litig. Rep. 5 (available on Westlaw).

194. The amici argued that the district court gave the "greatest weight to the initial and most popular actual uses of the Napster technology to the detriment of later-developed and potential future substantial uses." *Id.*

195. See *Compaq Computer Corp. v. Procom Tech., Inc.*, 908 F. Supp. 1409 (S.D. Tex. 1995) (holding no substantial noninfringing use for infringing hard drive because infringing aspect of the drive was separable and did not have any significant noninfringing uses); see also NIMMER, *supra* note 141, § 12.04[A][2][b] (discussing the necessity of asking whether the product is divisible). Nimmer poses an interesting hypothetical: "What if an added feature can be purchased for a [VCR] that deletes commercials from the taping of a program, thereby shifting Sony's balance—should the commercial squelcher be gauged on its own merits, or should the enhanced [VCR] as a whole be judged as to 'commercially significant noninfringing uses'?" *Id.* Justice Blackmun put it more succinctly: "[I]f no one would buy the product for noninfringing purposes alone, it is clear that the manufacturer is purposely profiting from the infringement, and that liability is appropriately imposed." *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 491 (1984) (Blackmun, J., dissenting).

been: Would anyone have used the service if it did not have search and index functions which allowed for free, unlimited, anonymous access to all types of MP3 files, both copyrighted and uncopyrighted, without any safeguards in place to prevent infringement? While the service in broad terms (peer-to-peer file sharing) was socially beneficial, the specific attributes of Napster were not.

Napster was created for infringing purposes and was simply trying to back its way out of liability.¹⁹⁶ *Ex post facto* creation of noninfringing uses should have been ineffective to shield Napster from liability because "[o]nly the most unimaginative manufacturer would be unable to demonstrate that a[n] image-duplicating product is 'capable' of substantial noninfringing uses."¹⁹⁷

Napster also differed from Sony in that Napster did not technically release its service into the stream of commerce. Napster contracted with its users and could (although it did so infrequently) police its service.¹⁹⁸ Napster played a key role in allowing the underlying "pirating" activity to occur.¹⁹⁹

The staple article of commerce doctrine was designed to protect manufacturers of neutral products, such as VCRs, typewriters, cameras, and copying machines.²⁰⁰ These products do not infringe unless the user makes them do so. The doctrine should be inapplicable where the producer of the product in question enabled the infringing activity to take place by failing to properly exercise control over the use of the product once it became aware that infringing activity is taking place. While the staple article of commerce doctrine may protect a typical ISP, a provider like Napster does not deserve protection.

V. CONCLUSION

Clearly, current law is not entirely equipped to deal with copyright issues in cyberspace. In the absence of specific directives from Congress, courts should "take the Copyright Act . . . as [they] find it,"²⁰¹ and "do as little damage as possible to traditional copyright principles . . . until the Congress legislates."²⁰² Applying these traditional prin-

196. For example, Napster's New Artist Program (facilitating the distribution of uncopyrighted music) was not launched until after the lawsuit was filed. *See Napster*, 114 F. Supp. 2d at 917.

197. *Sony*, 464 U.S. at 498 (Brennan, J., dissenting).

198. *See Napster*, 114 F. Supp. 2d at 921.

199. *See A & M Records, Inc. v. Abdallah*, 948 F. Supp. 1449, 1457 (C.D. Cal. 1996) ("[E]ven if Sony were to exonerate Mr. Abdallah for his selling of blank, time-loaded cassettes, this Court would conclude that Mr. Abdallah knowingly and materially contributed to the underlying counterfeiting activity").

200. *See Sony*, 464 U.S. at 491 (Brennan, J., dissenting).

201. *Id.* at 500 (Brennan, J., dissenting) (quoting *Fortnightly Corp. v. United Artists*, 392 U.S. 390, 401-02 (1968)).

202. *Id.* (quoting *Fortnightly*, 392 U.S. at 404 (dissenting opinion)).

ciples to *Napster*, it is clear that Napster users engaged in direct infringement and, consequently, it was proper to hold Napster liable for such infringement.

When Napster is reduced to its simplest form, it is easy to see what this case was truly about:

It's like each of them won one of those contests where you get turned loose in a store for five minutes and get to keep everything you can load into your shopping cart. With Napster, though, there's no time limit and everyone's a winner—except the artist. . . . If you're not fortunate enough to own a computer, there's only one way to assemble a music collection the equivalent of a Napster user's: theft.²⁰³

Aaron Johnson

203. *Copyright Issues and Digital Music on the Internet: Hearing Before the Senate Comm. on the Judiciary*, 2000 WL 23831272 (statement of Lars Ulrich).

